MAY 29 1986

GA1.13:NSIAD-86-14

United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Western Hemisphere Affairs, Committee on Foreign Relations, U.S. Senate

January 1986

GRANT MANAGEMENT

United States Information Agency's Monitoring of Selected Grantees

GAO/NSIAD-86-14

ORIGINAL

GAO

United States
General Accounting Office
Washington, D.C. 20548

National Security and International
Affairs Division

B-214509

January 16, 1986

The Honorable Jesse Helms
Chairman, Subcommittee on Western
Hemisphere Affairs
Committee on Foreign Relations
United States Senate

Dear Mr. Chairman:

At your request, we reviewed the effectiveness of 10 specific private organizations[1] in meeting the objectives of grants awarded to them by the United States Information Agency (USIA). You also asked that we determine whether the grantees' charges of overhead costs to the grants were reasonable, and provide any suggestions for USIA to use in monitoring the grantees' performance.

As agreed with your office, we focused on how well USIA monitored those 10 organizations to ensure that they complied with the terms and conditions of the grants. We examined 21 of 28 grants issued to the 10 organizations during fiscal year 1982[2] (to ensure that our review included completed grants); reviewed the records maintained by USIA's Offices of Contracts, the Comptroller, and the Bureau of Educational and Cultural Affairs, and the grantees; tested expenditures charged by 9 of the 10 grantees (one ceased to exist); interviewed responsible USIA and grantee officials; and reviewed various USIA internal evaluations of the grant program. We conducted our review in accordance with generally accepted government auditing standards.

Briefly, we found that 8 of the 10 grantees were generally using the funds to carry out the purposes for which the grants were awarded. However, they did not always comply with specific grant terms and conditions—especially those requiring reports. Available information was insufficient to determine compliance for two organizations, one of which is now defunct.

[1]The ten grantees identified by the request were: the African-American Institute, the American Council of Young Political Leaders, AFS International/Intercultural Programs, the American Political Foundation, the Asia Foundation, Council of International Programs for Youth Leaders and Social Workers, Institute of International Education, the National Association of the Partners of the Alliance (Partners of the Americas), National Committee on United States-China Relations, and United States Youth Council.

[2]The American Political Foundation did not receive any grants during fiscal year 1982; we examined the one grant awarded to the Foundation in fiscal year 1981.

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Overall, USIA's monitoring of the grants awarded to these 10 organizations was consistently hampered by imprecisely defined purposes, poor recordkeeping, and untimely and incomplete grantee reporting. In most cases overhead (indirect) costs were handled in accordance with existing requirements and were allocated among donors in an equitable manner. Details on the results of our review of each grantee are included in appendixes I through X.

Review Results

The Mutual Educational and Cultural Exchange Act of 1961, as amended, authorizes educational and cultural exchange programs to promote better understanding among the peoples of the world. The act provided for the use of private, nonprofit organizations and educational institutions to foster the exchange program.

USIA's Bureau of Educational and Cultural Affairs manages the exchange programs authorized by the act, and has made considerable use of the private sector to fulfill the goals of the exchange program. During fiscal years 1979 through 1984, USIA awarded over 1,200 grants to private organizations totaling about $280 million. In 1982, USIA awarded 179 grants.

The 10 grantee organizations which we reviewed represented a diverse group, engaged in sponsoring international visitors, youth exchange, and political interaction activities. Some were worldwide in scope whereas others focused on specific geographic areas. Their missions ranged from broad educational programs to special interest groups, such as labor. Some were dependent on USIA or government funding; others received most of their support from nongovernment sources. Most had a long history of association with USIA. Appendixes I through X provide information on the purposes and history of relationships with USIA programs.

Regardless of organization or grant purposes, grantees were required to comply with the terms and conditions in three documents:

- OMB Circular A-122, "Cost Principles for Nonprofit Organizations,"
- Guidelines for the Administration of Grant Agreements Awarded by the USIA, and
- USIA General Grant Conditions.

Among other things, these documents cover travel restrictions, documentation of expenditures, unallowable expenses, and audit rights, and set the criteria by which USIA contract officers and auditors review

expenditures charged to the grants. These criteria may expand, supplement, or duplicate terms and conditions written into specific grant agreements.

Meeting Grant Purposes, Terms, and Conditions

Under terms of the grants, the 10 grantees were to conduct various international visitor programs and political and youth exchange activities. We found no evidence that grant funds were used for other than these general purposes. However, sufficient information was not available for us to determine the extent of compliance by two grantees (U.S. Youth Council and American Political Foundation).

Although generally adhering to the broadly stated purposes of the grants, most grantees did not comply with all specific terms and conditions of the grants. For example:

- Two grantees used grant funds to pay for activities and trips not specifically authorized by the grant (U.S. Youth Council and Council of International Programs for Youth Leaders and Social Workers).
- Two grantees failed to maintain grant funds in bank accounts separate from nonfederal funds, as required by the terms of the grant (African-American Institute and Partners of the Americas).
- Most grantees submitted required reports which were late, incomplete, and incorrect some (if not all) of the time. Two grantees had not submitted reports on grants completed more than one and a half years ago (U.S. Youth Council and American Council of Young Political Leaders).

In commenting on a draft of this report, USIA noted that it was unable to provide information on the unauthorized trips paid for with grant funds by the U.S. Youth Council. While attempts were made to obtain delinquent reports, USIA noted that because of the lapse of time and turnover in personnel at the Council the information could not be found. USIA further noted that a satisfactory explanation had been provided by the Council of International Programs for charges to the grant.

In commenting on a draft of this report, USIA stated that the grantees are now operating under a letter-of-credit requirement that eliminates the need for separate bank accounts, but does require documentation to adequately substantiate all charges to the grant.

USIA also noted in its comments that an effort was being made to obtain the delinquent reports. However, USIA stated that the negligence in submission of the reports did not mean an ineffective program. While we

agree with USIA's comment, we believe that without the reports USIA is missing a key element in assessing the grantee's performance.

Monitoring of Grantee Performance

USIA responsibility for monitoring grantee performance is shared by several agency offices, principally the Bureau of Educational and Cultural Affairs, the Office of Contracts, and the Inspector General. The Bureau is responsible for awarding grants; exercising stewardship responsibilities such as visits to grantees, performance reporting, and financial reporting; correcting problems; reviewing grantees' performance after completion; and establishing administrative requirements. The Office of Contracts and the Inspector General both focus on monitoring grantee compliance with financial terms and conditions. The Inspector General has established a cycle of every 2 to 3 years for auditing grantees that receive substantial amounts of grants. The Office of Contracts makes final decisions on allowable expenses considering results of audits. Additionally, audit reports are received from other federal agencies which have grant relationships with these 10 organizations.

A frequent problem was the lack of well-defined purposes for the grants. We found that the purposes stated in approved grant documents were not specific and required additional material, usually the applicant's program proposal or information supplied to the grantee by USIA after the awarding of the grant, to determine what USIA expected of the grantee. For example, the American Council of Young Political Leaders was awarded a grant based on a budget proposal of $122,305 for an estimated 19 international visitors. The grant was approved for $93,780 and contained no indication as to visitors' countries or the types of programs to be developed. USIA, in commenting on this report, stated that the grant provided for submission of subsequent information which would clearly identify specific visitors to be funded. However, this information was not available until after the grant was awarded; thus it is difficult to determine what was expected from examining the grant.

USIA frequently amended grants, resulting in a lack of clear program objectives. For example, a $276,900 grant was awarded to the Partners of the Americas for "(1) exchanges of cultural specialists; (2) development of new partnerships and strengthening of existing ones . . .; and (3) leadership and program management workshops for Partners committee members." A review of other documents indicated the Partners was to concentrate $58,900 of the grant in the Caribbean with special emphasis on the Eastern Caribbean, Jamaica, and Nicaragua. The grant was amended several times to a final amount of $563,940. In each case, the

grant documents were not specific enough to determine what USIA expected of the grantee. In its response to a draft of this report, USIA stated that the original award and subsequent modifications were made on the basis of (1) support for the program which the grantee fully described in its grant proposal and (2) consideration of the grantee's past performance record. USIA did not fully agree that a grant should have a detailed and specific statement of work because in most cases a grant is an instrument which assists an organization in conducting its program. However, it has taken action to be more specific in future grants to incorporate the approved program proposals.

The records maintained by the Bureau, the organization responsible for monitoring programmatic compliance, were often incomplete. They did not provide a clear indication of the scope of the agency review of the grant applicant's proposal. We looked for but found little or no evidence to suggest that the review process addressed a grantee's prior performance and record of compliance with conditions of previous USIA grants. Furthermore, we found that all documents relating to a grant were not kept in one location or file. In conducting this review, we literally had to reconstruct files from multiple sources.

In its comments on a draft of this report, USIA disagreed that problems with recordkeeping, documentation, and reporting hindered the monitoring of grantee performance. USIA emphasized its reliance on personal monitoring and the fact that the ". . . organizations were long-term, traditional grantees," and that "Agency and grantee staff in most cases shared a common understanding of program purposes and modus operandi." Although personal contact is a key element of monitoring, the fact that both USIA and grantees have numerous staff turnovers and grantees are visited infrequently by USIA personnel makes it important in our view that the monitoring process be adequately documented to ensure continuity and completeness.

Grantee Reporting Usually Late

One of USIA's principal methods of monitoring grantees' performance is the program and financial reports that the grantees are required to submit. USIA required grantees to submit the program and financial reports no later than 90 days after the grants expired.

We found a wide variation among the 10 grantees in complying with the reporting requirements. Some, such as the U.S. Youth Council and the American Political Foundation, did not submit required reports, while the Asia Foundation and the Institute of International Education usually

met the requirements. Most grantees, however, were late filing the reports and had to be reminded by the USIA Contract Office. Additionally, the reports were frequently incorrect and had to be revised. For example, AFS International/Intercultural Programs was required, among other things, to submit bimonthly program reports and quarterly financial reports. AFS submitted one of eight bimonthly reports, which was 45 days late, and two of five required quarterly financial reports, which were 40 to 55 days late.

We also found that the grantees did not have a clear understanding of what USIA expected in terms of informing USIA of the progress in implementing grant objectives. There were different reporting requirements for the various Bureau program offices. Generally, grants awarded by the Bureau's Office of Private Sector Programs required the least amount of reporting by grantees while those awarded by the Office of International Visitors required the most.

For example, a grant awarded to the African-American Institute by the Office of International Visitors required the Institute to maintain records of expenditures for each visitor and to submit financial reports monthly and quarterly, and a final report 90 days after the grant expires. However, a grant awarded to the Partners of the Americas by the Office of Private Sector Programs required only that a financial report be submitted 90 days after the grant expired.

Because of the state of recordkeeping, there was no systematic way of determining that a particular report had been received or that a reminder notice was sent to the delinquent grantee. Office of Contracts personnel told us they were aware of missing, late, or improperly prepared reports, but stated that a limited staff and the workload prevented them from monitoring grantee submissions. In response to the report, USIA stated that the office is working toward a better, and automated, system of tracking reports.

Audit Findings

As of June 1985, 9 of the 10 grantees had been audited within the past 2 or so years. The exception—the U.S. Youth Council—had over $3.2 million of unaudited USIA grants, some of which were completed before June 1982.

For 2 of the 10 grantees, the Office of Contracts had not acted on the Inspector General's recommendations. In March 1983, the Inspector General questioned $25,912 of costs applicable to grants awarded the

National Committee on United States-China Relations. As of June 1985, nothing had been done, even though USIA regulations required the Office of Contracts to take follow-up action within 6 months of the audit report. Also, in January 1983, the Inspector General notified the Office of Contracts that an audit of the Partners of the Americas had disclosed questionable costs of $3,128. Again, as of June 1985, no action had been taken on the Inspector General's report. In response to our report, follow-up action has been taken on these audit reports.

Allocation of Indirect Costs

OMB Circular A-122, "Cost Principles for Nonprofit Organizations" establishes principles for federal agencies to follow when determining direct and indirect costs of grants, contracts, and other agreements with nonprofit organizations. The circular allows several methods of indirect cost allocations as long as the federal government bears its fair share of cost except where restricted or prohibited by law. Each grant specifically cited this circular as the authority for allowable costs.

OMB established the allowability of 50 selected cost items. USIA restricted the allowable cost items to those specifically cited in the grant, and we found that these varied from grant to grant. Some items were commonly allowed, such as salaries, fringe benefits, communication, travel, and rent, while others, such as insurance, maintenance and repair, subscriptions, and professional dues were authorized occasionally.

The methods used for allocating indirect costs varied among the grantees. Three used the rate method (see appendix I for detailed description), six used direct reimbursements, and one was unknown because of lack of records. For the nine grantees' allocations we reviewed, we found the allocations to be reasonable and in accordance with OMB and USIA requirements.

Appendix XI summarizes how the 10 grantees allocated funds between direct and indirect costs based on budget estimates.

Conclusions and Recommendations

We are generally satisfied that 8 of the 10 grantees you asked us to examine had performed the types of services called for in their grants. (We could not find enough information to reach a similar conclusion on the remaining two.) Few of the grantees, however, adhered to all conditions and requirements.

In the process of reviewing selected grants awarded to the 10 organizations, we examined several aspects of USIA's grants management system. There were clear indications that grant purposes were imprecisely defined, recordkeeping was poor, and grantee reporting was often untimely and incomplete. However, because of the limited scope of our review, we cannot generalize results to the entire system as it currently operates. Accordingly, we are limiting our recommendations to actions specifically pertaining to the 10 grantees. We would expect, however, that the Director, USIA, and others in the agency would consider the information contained in this report in carrying out their grants management responsibilities.

We recommend that the Director of USIA specifically instruct

- the Office of Contracts to obtain the required financial and program reports from the U.S. Youth Council,
- the Inspector General to assign priority to the audit of completed grants to the U.S. Youth Council before the time period expires for retention of records, and
- the Office of Contracts to resolve the Inspector General's audit recommendations pertaining to questionable costs incurred by the National Committee on United States-China Relations and the National Association of the Partners of the Alliance.

In a draft of this report reviewed by USIA, we suggested that the Office of Contracts obtain the required reports from the American Council of Young Political Leaders. In its comments, USIA stated that the Council had submitted the required reports and the outstanding audit report was resolved.

Agency Comments

USIA provided comments on corrective action to be taken in response to our findings but also took exception to several points raised in the draft report. These concerns were considered and addressed in the final report.

USIA stated that it ". . . was aware that there needed to be improvements in the Grant Program and steps have been taken to do just that, especially on the reporting requirements. The purpose of grants has been defined more specifically recently and additional improvements will be made starting in Fiscal Year 1986." USIA noted in its comments that the grant program in recent years has had a substantial growth without the necessary increase in staff resources. Therefore, USIA stated that

". . . the award of new grants has had to take precedence over follow-up on existing awards." Furthermore, USIA stated that it has started action to correct many of the deficiencies cited in our report. Some of the corrective actions to be taken include

- new grants being written to make applicants' approved program proposals part of the grants,
- the Office of Contracts being an active participant in the grant review process, and
- the appointment of a grant administrator in the Office of Contracts to track grantee reporting.

In response to the recommendations, USIA stated that the following actions have been taken:

- The U.S. Youth Council has submitted financial and program reports on two of the four grants, and the Youth Council has been asked to locate the other two outstanding reports.
- USIA has initiated an audit of the U.S. Youth Council.
- Follow-up on the outstanding audit reports on the National Committee on U.S.-China Relations and the National Association of the Partners of the Alliance has been started.

USIA provided other comments that have been included when appropriate. USIA comments are in appendix XII.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this report. At that time, copies will be made available to the Director, United States Information Agency, and other interested parties. Copies will be available to others who request them.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

Contents

Letter Report

1

Appendixes

Appendix I: The African-American Institute 12
Appendix II: American Council of Young Political Leaders 15
Appendix III: AFS International/Intercultural Programs: 18
Appendix IV: The American Political Foundation 20
Appendix V: The Asia Foundation 22
Appendix VI: Council of International Programs for Youth Leaders and Social Workers 25
Appendix VII: Institute of International Education 28
Appendix VIII: The National Association of the Partners of the Alliance 31
Appendix IX: National Committee on United States-China Relations 35
Appendix X: United States Youth Council 37
Appendix XI: Schedule of Grantees' Allocation of Costs 40
Appendix XII: Advance Comments From the United States Information Agency 41

Tables

Table I.1: Grant Administrative Costs 14
Table II.1: Indirect Costs 17
Table IV.1: Indirect Costs 21
Table V.1: Grant Costs 24
Table VI.1: Grant Costs 26
Table VI.2: Indirect Costs 26
Table VII.1: Grant Costs 29
Table VII.2: Direct and Indirect Costs 30
Table VIII.1: Grant Costs 33
Table X.1: Indirect Costs 39

Abbreviations

AFS	American Field Service
AID	Agency for International Development
OMB	Office of Management and Budget
USIA	United States Information Agency

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The African-American Institute

Introduction

The Institute was founded in 1953 to further development in Africa and strengthen African-American understanding through programs in agriculture and education. It is directed by a board of trustees assisted by about 80 U.S. employees and 20 Africa-based representatives.

In addition to its own activities, the Institute administers programs for the Department of State, the Agency for International Development (AID), and USIA. It has been associated with USIA's exchange program for 25 years. USIA provided the Institute with $10.6 million in fiscal years 1979 through 1984. It received 87 percent of its funds from the U.S. government and the rest from private sources.

Review of Grants

We examined two of the three grants which USIA awarded to the Institute in fiscal year 1982. A third grant was not reviewed because of its small dollar value.

Grant Number 19992

This $425,000 grant was awarded for the period October 1, 1981, through March 31, 1983, to conduct an exchange program for USIA's African visitors. The grant was amended seven times and increased to $1.4 million. A total of 211 visitors were budgeted.

The Institute conducted programs for 255 visitors, 44 over the goal. We reviewed the itineraries arranged for a number of the visitors and found that the programs usually were conducted as planned. On a test basis, we found that individual visitor's expenses were in compliance with grant terms.

The Institute met its financial goals. Its costs for programming the visits were $30.718 under the grant budget. The balance was returned to USIA on September 30, 1983.

Most of the required program, financial, and statistical reports were submitted late and frequently needed revision. For example, over 80 percent of the monthly and quarterly reports required by the grant were late, and the final financial report was 3 months late.

Grant Number 20138

This grant provided escort/interpreter services and administrative costs for selected Nigerian visitors. The $185,822 grant awarded April 22, 1982, covered the period October 1, 1981, through January 31, 1983.

Grant terms and conditions were similar to those of number 19992. The grant did not specify how many visits should be covered.

The Institute conducted a program for 52 Nigerian visitors at a cost of $148,033, or $37,789 less than the budget.

The required reports were similar to those of grant number 19992, and the Institute's response was similar; reports were late and frequently needed revision. For example, 92 percent of the monthly and quarterly reports were late an average of 55 days each. Also, the final financial report was 5 months late.

The Institute did not maintain grant funds in a separate bank account as required by the terms and conditions of the grant. However, there was no indication that U.S. government funds were used to earn interest.

Recovering Indirect Costs

The Institute used a rate method to recover its indirect costs. The Institute assigned costs that could not be charged to a particular activity to an indirect cost account from which costs were assigned to all activities according to a predetermined allocation process. The objective was to allocate indirect costs among all those activities that caused a demand for, or that benefitted from, the indirect services. OMB requires the federal agency with the largest dollar value of grants with the grantee to establish a temporary rate and subsequent final rate, and OMB requires other federal agencies dealing with the grantee to use the established rates.

USIA used the rates established by AID for the Institute. The indirect costs were salaries and related benefits, professional fees and other outside services, supplies and materials, duplication and printing, telephone and cablegrams, postage and shipping, facilities, occupancy rental and maintenance of equipment, travel, board and staff meetings, memberships and subscriptions, insurance, and data processing. The Institute used a temporary rate of 56.054 percent in its final financial report to USIA as shown below.

Table I.1: Grant Administrative Costs

	Grant number	
	19992	**20138**
Direct administrative costs:		
Salaries	$205,582	$ 62,507
Benefits	36,559	11,583
Staff travel	5,217	121
Communication and supplies	48,770	11,040
Printing	0	1,784
Books and reference material	0	0
Total	**$296,128**	**$ 87,035**
Indirect costs at temporary rate of 56 054 percent of direct administrative costs[a]	165,992	48,787
Total	**$462,120**	**$135,822**
Authorized	441,651	135,822
Amount over budget	20,469	0

[a]USIA will use a final rate of 56 54 percent when it makes its final audit adjustments

Based on our review, we believe that the indirect costs were distributed equitably.

American Council of Young Political Leaders

Introduction

The Council was founded in 1966 by the Young Republican National Federation and the Young Democratic Clubs of America to promote understanding and cooperation between young American political leaders and their foreign counterparts. It is directed by a bipartisan board of trustees with a staff of six to carry out the day-to-day activities.

The Council conducts political study tours of the United States for foreign political leaders, tours to foreign countries for U.S. political leaders, and foreign policy conferences. It has been associated with USIA's exchange program for 17 years. USIA provided the Council with $2.9 million in support for fiscal years 1979 through 1984. All financial support came from USIA grants, but in-kind donations were received from nonfederal sources.

Review of Grants

We examined the two grants which USIA awarded to the Council in fiscal year 1982.

Grant Number 20109

This grant was awarded March 15, 1982, to conduct exchange programs for young political leaders in the United States and other countries. The $296,012 grant was to run from February 1, 1982, through October 31, 1982; however, two amendments increased the grant to $310,627 and extended the period to December 31, 1982. Six study tours were authorized for

- American delegations to visit Brazil, Jamaica, the Dominican Republic, Norway, and Denmark;
- foreign delegations from Mexico, Canada, and West Germany to visit the United States; and
- Western European and Canadian political leaders for a U.S. election study tour.

We found that the Council generally complied with the grant terms and conditions. All six tours were conducted, and all but one study tour had the agreed upon number of delegates (the grant called for 30 participants in each tour and one tour had 29). All tours consisted of political leaders—either U.S. or foreign—and the activities included contacts with political institutions and organizations. The Council's expenses for the tours were $2,036 under the grant. The required financial and program reports were 5 months late.

Grant Number 20297

This $93,780 grant was awarded for the period August 2, 1982, through November 30, 1982, to conduct an exchange program for international visitors selected by USIA. The grant was amended three times to revise the cost estimates down to $87,161 and extended the grant to September 30, 1983. The grant specified that there would be 19 visitors but did not identify their countries or areas of interest. The amendments revised the number of visitors to 15.

We could not determine from available USIA records how many visitors came to the United States. Interim reports showed that some visitors arrived, but the final financial and program reports, due December 31, 1983, were never submitted. USIA informed the Council of the missing reports on June 21, 1984, but received no response. USIA has taken no further action to obtain the reports.

Weaknesses in the Council's Financial Management System

Audits of all grants to the Council by USIA's Inspector General in 1981 and 1983 disclosed several deficiencies and recommended that USIA's Office of Contracts award no additional grants to the Council until its accounting system was made reliable. The Inspector General questioned costs of $147,786 ($28,911 pertained to the grants we reviewed) as not being adequately documented. The responsible contracting officer accepted the documentation or explanation given by the Council for all but $481. The amount had not been paid as of April 1985. In addition, the Inspector General asked for a return of $43,247 ($2,036 pertained to the grants we reviewed) of unexpended grant funds. The Council returned the funds on February 2, 1984. The Council engaged a certified public accounting firm to improve its financial management system and also hired a full-time bookkeeper.

Recovering Indirect Costs

The Council used the reimbursement basis to recover its indirect costs. The grants identified specific costs to be reimbursed, and USIA paid these amounts when billed by the Council. This method is in accordance with OMB Circular A-122.

Table II.1: Indirect Costs

	Grant number	
	20109	**20297[a]**
Indirect costs:		
Staff salaries and benefits	$118,630	$11,925
Office supplies and expenses	5,609	116
Rent	12,252	2,422
Postage and courier	3,224	200
Telephone and telegraph	5,776	1,431
Printing and reproduction	5,457	713
Office equipment and furniture	1,088	1,434
Staff travel and per diem	1,121	278
Resource materials	688	51
Insurance and bonding expenses	2,394	334
Total reported indirect costs	**$156,239**	**$18,904**
Total accepted by USIA	**$156,162**	**$18,904**

[a]Based on an interim grantee report and subject to a final audit

As shown in the table, the major indirect costs were staff salaries and benefits. The individuals' salaries for the 9-month period ranged from $8,859 to $28,833. USIA provided the sole financial support for this grantee during the time frames discussed above. Consequently, all indirect costs were charged to the USIA grants.

AFS International/Intercultural Programs

Introduction

AFS (formerly called the American Field Service) was established by volunteer ambulance drivers as a youth exchange program in 1947 in reaction to the devastation of World War II. AFS's program is based on the premise that if young people of different cultures learn to understand each other's beliefs, behavior, and traditions, the likelihood of international tension would be reduced. AFS brings students from approximately 60 nations to the United States for a year and sends American students abroad. Students live with families, usually attend school, and take part in community activities. AFS is directed by a board of trustees, it has 200 employees, and is supported by a large group of volunteers. There are counterpart organizations in 60 countries.

AFS has been associated with USIA's exchange program for 36 years. USIA provided AFS with $2.7 million in support for fiscal years 1979 through 1984. In fiscal year 1984, AFS received only 3 percent of its funds from the U.S. government.

Review of Grants

We examined the two grants which USIA awarded to AFS in fiscal year 1982.

Grant Number 20241

The grant was awarded August 2, 1982, to conduct an exchange program of teachers between the United States and the Soviet Union. The grant was for $29,790 and was to run from June 1, 1982, through December 31, 1982. The grant authorized six Soviet teachers to visit the United States and six American teachers to go to Russia.

We found AFS complied with grant terms and conditions. The planned number of participants visited each country and expenses for the exchanges were $7,510 under the grant amount. The unexpended balance was deducted from a later grant.

Grant Number 20309

This grant was to assist AFS in expanding its international youth exchange program with Canada, France, Germany, Italy, Japan, and the United Kingdom. The grant was awarded in response to the President's Youth Exchange Initiative and is the first of a 3-year program. The grant of $280,000, originally for the period September 1, 1982, through September 30, 1983, was amended three times to increase it to $893,500, extend it to December 31, 1983, and expand its objectives. The amended objectives were to

- expand the number of exchanges with the Economic Summit countries by 267, with special emphasis on Japan, France, Germany, United Kingdom, and Canada;
- increase recruitment and training of new volunteers and upgrade program management; and
- increase the number of U.S. schools participating in AFS programs.

AFS met its objectives by expanding the number of exchanges by 299, opening 135 new chapters in U.S. schools, and training about 1,000 volunteers. Accomplishments were mixed in the target countries—exchanges in Canada and Japan increased but exchanges in France, Germany, and the United Kingdom did not. Overall, a USIA official stated the grant objectives were "amply achieved." AFS also met its financial goals with expenses $14,951 under the approved grant budget.

The grant required bimonthly program reports, quarterly financial reports, and program and financial reports 90 days after the grant's completion. AFS submitted one of eight bimonthly program reports and it was 45 days late; two of five required quarterly financial reports and they were 40 to 55 days late; and the final program and financial reports were on time. USIA's program officer for AFS called the quarterly reporting "sparse to non-existent."

Recovering Indirect Costs

In accordance with OMB Circular A-122, AFS used the reimbursement basis to recover its indirect costs. Grant number 20241 identified specific costs to be reimbursed and USIA paid these amounts when billed by AFS.

Authorized indirect costs for grant 20241 were partial salary and employee benefits for the program administrator, international transportation and subsistence for staff, communications, stationery, program materials, shipping, and postage. The grant budgeted $9,425 for these items and AFS claimed the same amount. There was no indication in the final financial report as to how much was spent for each category.

AFS did not ask for reimbursement of indirect costs on grant 20309. Instead AFS identified those additional costs incurred to administer the USIA grant and charged them directly to the grant in accordance with OMB Circular A-122.

Based on our review, we believe that the indirect costs were distributed equitably.

The American Political Foundation

Introduction

The Foundation—now defunct—was established in 1979 by leaders of the Democratic and Republican parties to promote communication and understanding with parties and political leaders in other democratic countries. It was directed by a board of directors with a staff of two to carry out its day-to-day activities.

The Foundation conducted study tours for political leaders. The Foundation was associated off and on with USIA's exchange program for 6 years. USIA provided the Foundation with about $136,000 in support during fiscal years 1980 through 1984. The Foundation received about 76 percent of its funds from the U.S. government and the rest from private sources.

In 1984, the Foundation ceased to exist because, its President told us, the new National Endowment for Democracy had diminished its utility. At the time of our work, the Foundation had vacated its rented office, the staff had found other employment, and the records were at another location. The records we examined were often incomplete.

Review of Grants

The Foundation did not receive any USIA grants during fiscal year 1982, our test year for the other grantees. Accordingly, we examined the one USIA grant awarded to the Foundation in fiscal year 1981.

Grant Number 19596

This $59,632 grant was awarded December 18, 1980, for the period November 10, 1980, through November 9, 1981, to conduct overseas tours for American political leaders. Three amendments increased the grant to $108,660, added additional tours, and extended it to December 31, 1982. The amended grant authorized four tours

- to observe the biennial Congress of the Socialist International in Madrid;
- to review the origin, purposes, structure, and operations of political finance regulations and public financing of parties in West Germany and Sweden;
- to study the West German political party foundations; and
- to explore alliance-affecting issues by American political opinion strategists with counterparts in France and Italy.

Due to the lack of records, we were unable to determine if the Foundation complied with all the grant's requirements. Neither the grant, USIA files, nor the Foundation's files contained information on how many participants were authorized for two of the trips.

The grant required final program and financial reports to be filed no later than March 31, 1983, but according to a transmittal from the grantee to USIA, they were filed on September 9, 1983. USIA could not locate the program report. The financial report required additional data, which was not provided to USIA until March 6, 1984. Review of financial data disclosed that the Foundation's expenses were $485 under the grant amount. (Indirect costs exceeded the authorization by $13,548, and program expenses were $14,033 less than authorized.) This difference was approved by the contracting officer on March 15, 1984.

Recovering Indirect Costs

In accordance with OMB Circular A-122, the Foundation used the reimbursement method to recover its indirect costs. The grant identified specific costs to be reimbursed, and USIA paid these amount when billed by the Foundation.

Table IV.1: Indirect Costs

Partial salaries and benefits	$21,527.63
Communications	3,834.43
Supplies	1,405.00
Printing	61.37
Local transportation	2,846.00
Rent	2,030.64
Postage	197.18
Miscellaneous	1,045.80
Total reported and accepted by USIA	**$32,948.05**
Budget	19,400.00
Amount over budget	$13,548.05

Three of the above costs were not authorized by the grant— supplies, local transportation, and miscellaneous. Conversely, the grant authorized reimbursements for two costs (utilities and equipment rental) which the Foundation did not claim. All grants were audited by USIA's Inspector General in 1984 to determine compliance with grant terms and conditions and OMB Circular A-122. No exceptions were taken to the Foundation's reported costs.

Due to lack of adequate documentation, we were unable to determine if there was an equitable distribution among sponsors of indirect costs.

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The Asia Foundation

Introduction

The Foundation was established in 1954 at the request of the U.S. government to assist Asians in the development and growth of their societies and to strengthen Asian-American understanding, cooperation, and friendship. It is directed by a board of trustees with the staff of 14 employees and consultants (45 are located overseas) to carry out the day-to-day activities.

The Foundation makes grants each year in the areas of social, economic, political, and cultural development. In 1983, the Foundation made 816 grants ranging from $5,000 to $150,000. It had been associated with USIA's exchange program for 17 years. USIA provided the Foundation with $2.4 million in support for fiscal years 1979 through 1984. The Foundation received about 90 percent of its income from the U.S. government and the rest from private sources.

Review of Grants

We examined the three grants which USIA awarded to the Foundation in fiscal year 1982.

Grant Number 20255

This grant was awarded August 13, 1982, to create a model English language teaching program at the University of Baluchistan in Quetta, Pakistan. The grant of $99,500 was to run from July 1, 1982, through August 31, 1983. An amendment extended the grant to October 31, 1983.

The Foundation met all but one requirement of the grant. Audiovisual equipment was not provided to the University's English Language Center even though it was specified by the grant. The grant also contained USIA's standard prohibition against the purchase of nonexpendable equipment. In response to apparent conflict in grant language, the Foundation staff in Pakistan decided not to purchase the equipment.

The Foundation's expenses for the project were $2,378 under the approved budget. The program and financial reports were submitted on time.

Grant Number 20328

The Foundation was authorized to conduct three educational exchange programs. The grant of $76,290 was for the period August 1, 1982, through August 31, 1983, and was extended to November 30, 1983. The authorized projects were

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- judicial administration training in the United States and the Philippines;
- a one-year Nieman Journalism Fellowship for an influential individual at Radio Beijing, Peoples Republic of China; and
- a one-year public administration fellowship for an official of Papua New Guinea.

The Foundation conducted the three projects at $6,642 under the budget. The required program and financial reports were submitted on time.

Grant Number 20380

The grant supported the Foundation's Books for Asia program. The award of $100,000 was for the period September 20, 1982, through August 31, 1983, and was extended to November 30, 1983. It supplemented the Foundation's own resources and did not contain measurable goals, i.e., number of books shipped.

The funds were used to ship donated books, and books purchased as special collections, to selected libraries and schools throughout Asia. Major expenses of the program were packing materials and freight. Foundation officials stated that the grant enabled the program to ship an additional 12,693 books in international relations and security. The Foundation's costs for the grant were $9,229 less than the budget. No exceptions were taken in the subsequent audit.

The program and financial reports were 15 days late.

Recovering Indirect Costs

The Foundation used the rate method to recover its indirect costs. This was similar to that for the African-American Institute (see appendix I) except that the temporary and actual rates were set by the Department of State. USIA grants used the Department's rates. For fiscal year 1982, the temporary rate was 38.2 percent and the actual was 33.6 percent. The indirect costs authorized in USIA grants were those allowed by OMB Circular A-122.

Table V.1: Grant Costs

	Authorized	Actual	Over/(under)
Grant number 20255			
Direct costs	$61,491	$74,128	$ 12,637
Indirect costs	38,009	22,994	(15,015)
Total	**$99,500**	**$97,122**	**$(2,378)**
Grant number 20328			
Direct costs	$47,147	$47,017	$ (130)
Indirect costs	29,143	22,631	(6,512)
Total	**$76,290**	**$69,648**	**$ (6,642)**
Grant number 20380			
Direct costs	$ 61,800	$69,769	$ 7,969
Indirect costs	38,200	21,002	(17,198)
Total	**$100,000**	**$90,771**	**$(9,229)**

Based on our review, we believe that the indirect costs were distributed equitably.

Council of International Programs for Youth Leaders and Social Workers

Introduction

The Council was established in 1956 to increase professional knowledge in the fields of social work, youth work, and special education; to increase knowledge of the world's diverse cultures through contact among the participants; and thereby to promote peace. The Council is directed by a board of trustees and has a staff of seven plus many domestic and foreign volunteers. It operates through independent affiliates across the United States.

In 1983, the Council conducted short- and long-term exchange programs, mostly to the United States, for 210 professionals from 75 countries. The Council has been associated with USIA's exchange program for 30 years. USIA provided the Council with $2.7 million in support for fiscal years 1979 through 1984. It received about 15 percent of its support from the U.S. government and the rest, including in-kind, from private sources.

Review of Grants

We examined the one grant to the Council which USIA awarded in fiscal year 1982.

Grant Number 20106

The grant was awarded March 5, 1982, to conduct an educational and cultural exchange program for foreign youth leaders and social workers. The grant of $250,000 was for the period January 1, 1982, through October 31, 1982. By amendment, the grant was increased by $6,465. The grant did not contain measurable goals, such as the number of participants. Instead USIA earmarked its support for particular items in the Council budget, such as participants' transportation, per diem, and tuition costs, and the administration of the Council's Cleveland headquarters.

We reviewed the Council's final financial report and found that it spent grant funds on two items that were not authorized —$19,636 for a participants' meeting in New York City and $4,000 for an allotment to its affiliates. USIA's contracting officer reviewed the items and allowed them, subject to final audit, since the funds "appear to have been expended for the purpose and intent of the agreement. . . ." The Council slightly exceeded the overall limits for both program and indirect costs.

Table VI.1: Grant Costs

	Authorized	Actual	Over[a]
Program costs	$121,755	$122,180	$ 425
Indirect costs	134,710	137,027	2,317
Total	**$256,465**	**$259,207**	**$2,742**

[a]The amount over budget was not reimbursed by USIA.

The required program and financial reports were 5 months late. The USIA contracting officer reminded the Council of its omission twice before they were submitted.

Recovering Indirect Costs

In accordance with OMB Circular A-122, the Council used the reimbursement basis to recover its indirect costs. When billed by the Council, USIA paid specific costs identified by the grant, subject to a final audit by USIA.

Table VI.2: Indirect Costs

Salaries and employee benefits	$ 79,429
Professional dues	771
Domestic and international travel for staff and trustees	3,446
Domestic travel for trustees	6,363
Insurance	1,091
Communications	11,156
Office supplies, equipment, rental, maintenance and repair, and postage	10,045
Rent and utilities	7,635
Bookkeeping and audit	13,526
New recruitment materials and development of an alumni foundation	2,035
Meeting facilities and related costs	1,530
Total reported indirect costs	**$137,027**
Total accepted by USIA	**$134,710**

Approximately 80 percent of the Council's administrative costs was supported by the USIA grant. Council officials attributed this to the problem of finding administrative support funds in the private sector. The officials noted that USIA's support helped to raise either money or in-kind support from the private sector for the Council programs.

Although USIA considered the Council's ratio of indirect costs to the total grant to be high, they believed it was acceptable in view of the amount of in-kind support the grantee generated from non-U.S. government

sources. The indirect costs were audited by USIA and found to be acceptable.

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Institute of International Education

Introduction

The Institute was founded in 1919 to carry on exchange programs between the United States and other countries, and to provide information, publication, and consulting services in educational and cultural exchanges. The Institute administers more than 400 educational exchange programs for U.S. and foreign students and specialized programs sponsored by governments, corporations, foundations, educational institutions, and private organizations. The Institute is directed by a board of trustees assisted by about 300 employees located in New York City and 11 regional and overseas offices.

The Institute administers the Fulbright student education exchange program for USIA and is one of the major program agencies for the international visitors program. It has been associated with USIA's exchange program for 44 years. For fiscal years 1979 through 1984, USIA awarded the Institute about $98 million in grants. It received about one-quarter of its funds from the U.S. government.

Review of Grant

We examined one of seven grants which USIA awarded to the Institute in fiscal year 1982.

Grant Number 19993

This grant was awarded October 23, 1981, to administer a program for USIA international visitors. The grant of $775,000 was for the period October 1, 1981, through March 31, 1983. Nine amendments increased the grant to about $2.8 million, expanded the objectives, and reprogrammed costs. A total of 450 visitors were budgeted under the grant.

We found that the Institute administered programs for 440 visitors or 10 less than the budget goal. We reviewed the itineraries arranged for a number of the visitors, including two group projects. According to evaluations prepared by the visitors, they believed that the programs provided them were well prepared. We further noted that liaison between USIA and the Institute was frequent and that USIA evaluated the itineraries afterwards to learn what improvements could be made in future programs. We reviewed individual visitor costs on a test basis and found them to be in accordance with grant terms.

The Institute met its financial goals as shown in the following schedule.

Table VII.1: Grant Costs

	Authorized	Actual	Over/(under)
Visitor costs	$1,317,697	$1,243,454	($74,243)
Escorts/interpreters	456,592	452,708	(3,884)
Administrative costs	1,010,399	1,010,399	0
Total	**$2,784,688**	**$2,706,561**	**($78,127)**

Most of the required program, financial, and statistical reports were submitted on time or ahead of schedule. For example, 78 percent of the monthly financial reports were on time, and the final financial reports were 62 days early.

Recovering Indirect Costs

The Institute used the rate method to recover its indirect costs. The method is similar to that of the African-American Institute (see appendix I) except that the rates were set by USIA. For fiscal year 1982 the temporary rates were:

(1) 59 percent of total employment costs incurred under the grant at the Institute's New York office and

(2) 26 percent of total employment costs incurred under the grant at the Institute's regional offices.

Final audited rates were 57.76 percent for the New York office and 24.85 percent for the regional offices, plus a fiscal management fee of $8.40 per transaction. The rates are based on direct labor costs, and the fiscal management fees are based on the number of financial transactions processed by the Institute during the year.

The Institute's reported base for calculation of indirect costs is in table VII.2.

Table VII.2: Direct and Indirect Costs

Direct administrative costs:	
Salaries	$ 585,795
Rent	99,652
Communication, postage	74,304
Equipment rental	18,033
Supplies	13,628
Printing and duplication	5,608
Travel	4,327
Repairs and maintenance	3,853
Books and magazines	2,123
Messenger	2,074
Contract services	1,051
Dues	909
Other	699
Total	**$ 812,056**
Indirect costs:	
New York Office share—59 percent	151,971
Regional offices share—26 percent	10,527
Fiscal management fee at $8.40 per transaction	36,892
Total reported administrative cost	**$1,011,466**
Authorized	$1,010,399
Amount over budget	$ 1,045

Based on our review, we believe that the indirect costs were distributed equitably.

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The National Association of the Partners of the Alliance

Introduction

The National Association of the Partners of the Alliance, better known as the Partners of the Americas, was founded in 1964 to foster a closer relationship between the peoples of the United States and Latin America and the Caribbean through professional and educational exchanges. The Partners is governed by a board of directors assisted by 24 employees and about 15,000 volunteers in the United States and overseas.

The Partners conducts programs in agriculture, sports, community, culture, education, and health. It has been associated with USIA's exchange program for 12 years. USIA provided the Partners with $2.6 million in support during fiscal years 1979 through 1984. The Partners received about two-thirds of its support from the U.S. government and the rest from private sources and host governments.

Review of Grants

We examined the four grants which USIA awarded to the Partners in fiscal year 1982.

Grant Number 20080

This grant was awarded February 5, 1982, to conduct a program in disability prevention and rehabilitation. The original grant of $139,838 for the period January 1, 1982, through December 31, 1982, was increased by $60,000. This was the second of a 3-year effort to identify simplified approaches to disability prevention and rehabilitation in low and moderate income areas of the Caribbean and Latin America. Funding for this project came from the Department of Education through USIA.

The grant's goals were general with no measurable activities, except that USIA expected approximately 40 exchanges per year. The Partners had 107 exchanges. The Partners exceeded the grant budget and had to use funds from private sources. The required reports were submitted on time.

Grant Number 21102

This grant was awarded March 9, 1982, to conduct a 30-day seminar for 10 Latin American and Caribbean leaders in the field of educational and public television. The award of $117,577 was for the period December 1, 1981, through September 30, 1982. The project had 10 participants, and its expenses were $19,660 under the budget. The required reports were submitted on time.

Grant Number 20281

This grant of $25,000 was awarded September 3, 1982, to develop a comprehensive plan on how organizations can increase youth exchanges with Third World countries, especially Latin America and the Caribbean. The grant was for the period September 1, 1982, through September 30, 1983. A detailed plan was completed and submitted to USIA for consideration.

The grant was completed at a cost of $25,000. The required program and financial reports were submitted on time, but the bimonthly progress reports were late an average of 49 days each.

Grant Number 20290

This grant was awarded September 13, 1982, to conduct a seminar—entitled "Art and the Artists in the U.S./The Artist and the Community"—for Latin American and Caribbean art leaders. The award of $112,225 was for the period August 1, 1982, through December 31, 1982. Approximately 14 participants were budgeted and participated. The project expenses were $12,002 under the budget goal. The required reports were submitted on time.

We found that the Partners did not maintain grant funds in a separate bank account as required by the terms and conditions of the grant. There was no indication that U.S. government funds had earned interest improperly.

Review of Indirect Costs

In accordance with OMB Circular A-122, the Partners used the rate method to recover its indirect costs, similar to that of the African-American Institute (see appendix I). USIA used the rates set by AID. For calendar year 1982, the temporary rate was 20 percent of total program costs, and the actual rate was 19.05 percent.

The costs eligible for reimbursement depended on the grant, as shown in the following schedule.

Table VIII.1: Grant Costs

Items authorized	Grant Number 20080	20102	20281	20290
Staff salaries and benefits	x	x	x	x
Communications	x	x	x	x
Staff travel	x			
Report duplication and dissemination	x			
Program costs	x	x	x	x
Supplies and materials		x	x	x
Domestic travel and per diem for seminar leaders and escorts		x		x
Honoria for lecturers and consultants		x		x
Rental of meeting facilities and equipment		x		
Consultant fees			x	
Seminar related expenses				x

The Partners' Reported Indirect Cost Computations:

Grant number 20080	
Direct costs	$167,740
Indirect costs at temporary rate of 20 percent of direct costs	33,548
Total	**$201,288**
Grant limit	199,838
Amount not claimed	**$ 1,450**
Grant number 20102	
Direct costs	$ 81,598
Indirect costs at temporary rate of 20 percent of direct costs	16,319
Reported costs	97,917
Authorized amount	117,577
Amount underauthorized	**$ 19,660**
Grant number 20281	
Direct costs	$ 21,750
Indirect costs at 20 percent	4,350
Total	**$ 26,100**
Grant limit	25,000
Amount not claimed	**$ 1,100**
Grant number 20290	
Direct costs	$ 88,224

Indirect cost at 10 percent of participant cost and 20 percent of administrative cost	$11,999
Total	**$100,223**
Grant limit	112,225
Amount underauthorized	**$ 12,002**

Based on our review, we believe that the indirect costs were distributed equitably.

National Committee on United States-China Relations

Introduction

The Committee was founded in 1966 to encourage mutual understanding among citizens of China and the United States by co-sponsoring public symposia, providing reference materials, and offering program advisory services. It is governed by a board of directors with a staff of nine to carry out day-to-day activities.

The Committee conducts cultural exchange with the People's Republic of China. It has been associated with USIA's exchange program for 12 years and received $2.9 million in support for fiscal years 1979 through 1984. The Committee received about 60 percent of its support from the U.S. government and the rest from private sources.

Review of Grant

We examined the one grant which USIA awarded to the Committee in fiscal year 1982.

Grant Number 20397

This grant was awarded September 29, 1982, to carry out three educational and cultural exchange programs with the People's Republic of China. The award of $117,700 was for the period August 1, 1982, through September 30, 1983. The grant was extended to September 30, 1984.

The Committee was authorized to conduct three projects— intensive English training, a seminar on educators' use of motion pictures, and a seminar on Comparative Reading and Language Research. We found that the motion picture project was replaced by a project on cross cultural training for scholar orientation, but USIA had not amended the grant to reflect the change. We were advised by a Committee official that the change had been authorized orally by USIA. The projects completed were $263 under the grant budget. The required program and financial reports were submitted 3 months late.

Reporting Indirect Costs

In accordance with OMB Circular A-122, the Committee used the rate method to recover its indirect costs. The technique was similar to that of the African-American Institute (see appendix I). All indirect costs were totaled and allocated pro rata to each project based on payroll costs charged to a project. For fiscal year 1982 the rate was 80 percent, which was approved by USIA's Inspector General.

The indirect costs allocated to grant number 20397 were $28,984. Based on our review, we believe that the indirect costs were distributed equitably.

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United States Youth Council

Introduction

The Council was founded in 1946 to interest young American leaders in international affairs, to educate them on world issues significant to the United States, and to promote cooperation between future American and foreign leaders who share a dedication to freedom and democracy. It is directed by an executive committee with a staff of 10 to carry out the day-to-day activities.

The Council conducts exchanges and conferences for young leaders in the United States and overseas. It has been associated with USIA's exchange program for 16 years. USIA provided the Council with $4 million in support for fiscal years 1979 through 1984. All financial support came from USIA grants, but the Council received in-kind donations from nonfederal sources.

Review of Grants

We examined the four grants which USIA awarded to the Council in fiscal year 1982.

Grant Number 20182

This grant was awarded June 8, 1982, to the Council's Labor Desk to conduct four study tours for young American labor union officials and their counterparts in West Germany, France, and Italy. Also, the Council was to conduct foreign affairs conferences/seminars for past participants. The grant authorized $29,047 for administrative expenses and $70,020 for program activities, but did not specify the amount for each trip.

We could not determine how well the Council complied with grant terms and conditions because the required program and financial reports, due March 31, 1983, were never submitted. USIA informed the Council of the missing reports June 2, 1983, but received no response. USIA took no further action to obtain the reports.

Grant Number 20200

This grant was to conduct USIA exchange programs for young people from the United States and other countries. The grant of $186,395 was for the period February 1, 1982, through October 31, 1982, and was subsequently increased to $203,955. Five trips were authorized: four for American delegations and one from the Caribbean. The grant authorized $125,530 for administrative expenses and $78,425 for program activities, but did not specify an amount for each trip. We found that the Council's records showed five trips taken; however, three trips that

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were taken and charged to the grant were not authorized by the grant or by any amendment to the grant.

We could not determine how well the Council complied with grant terms and conditions because the required program and financial reports, due January 31, 1983, were never submitted. We found no documentation to show that USIA had ever informed the Council of the missing reports.

Grant Number 20215

This grant was awarded July 6, 1982, to the Council's Labor Desk to conduct eight study tours to the United States by labor leaders from the United Kingdom and West Germany. The $140,110 grant, scheduled to run from August 1, 1982, through July 31, 1983, was extended to December 31, 1983. The grant authorized $23,245 for administrative expenses and $116,865 for program activities, but did not specify the amount for each trip.

We could not determine from available USIA records how many trips were actually taken because the Council's program report could not be located. Council records available at the time of our review indicated that seven trips had been taken.

The Council reported to USIA that grant costs were the same as the grant budget; $23,245 for administrative expenses and $116,865 for program expenses. There was no indication as to how much was spent for each trip. The Council submitted the required program and financial reports 13 days late.

Grant Number 20354

This grant was awarded to the Council's Labor Desk to support 10 study tours to and from the United States by labor leaders from the South Pacific and the United States. The grant of $307,955 was to run from September 15, 1982, through September 15, 1983. It was extended to December 31, 1983. It authorized $38,300 for administrative expenses and $269,655 for program activities, but did not specify the amount for each trip.

We could not determine from available USIA records how many trips were actually taken because the Council's program report could not be located. Council records available at the time of our review indicated that five trips had been taken.

The Council's expenses for the tours were $208 less than the grant budget. The Council submitted the required program and financial reports 13 days late.

We found that USIA grants of $3.2 million to the Council have not been audited, and because grantees are not required to maintain records more than 3 years after the grant expires, it is likely that many will never be audited for compliance with the grant's financial terms. USIA's Inspector General began an audit of the Council in 1984, but the work was suspended because of higher priority work. In response to this report, USIA stated that it had initiated an audit of U.S. Youth Council.

Recovering Indirect Costs

In accordance with OMB Circular A-122, the Council used the reimbursement method to recover its indirect costs. The grant identified specific costs to be reimbursed, and USIA paid those costs when billed by the Council. The costs eligible for reimbursement depended on the particular grant.

For the two grants on which financial reports were submitted, the Council reported the following indirect costs.

Table X.1: Indirect Costs

	20215	20354
Authorized indirect costs:		
Salary for European coordinator	$ 9,201	N/A
Salary for South Pacific coordinator	N/A	$ 8,500
International and domestic transportation and per diem	14,006	11,757
Communications	38	N/A
Salary for U.S. coordinator and clerical assistance	•	18,254
Reported indirect costs	23,245	38,511
Authorized	23,245	38,300
Amount over grant	**0**	**$ 211**

USIA provided the sole financial support for this grantee during the time frames discussed above. Consequently, all indirect costs were charged to the USIA grants.

Based on our review of the two financial reports submitted, the indirect costs charged were in accordance with OMB A-122.

Schedule of Grantees' Allocation of Costs

	Grant number	Direct costs	Indirect costs		Total
			Dollar	Percent	
African-American Institute	19992	$1,226,035	$165,992	11.9	**$1,392,027**
	20138	99,256	48,787	33.0	**148,033**
		$1,325,291	$214,779	13.9	**$1,540,060**
American Council of Young Political Leaders	20109	$ 152,352	$156,239	50.6	**$ 308,591**
	20297[a]	50,675	18,904	27.2	**69,599**
		$ 203,027	$175,143	46.3	**$ 378,190**
AFS	20241	$ 12,855	$ 9,425	42.3	**$ 22,280**
	20309[b]	893,500	0	0.0	**893,500**
		$ 906,355	$ 9,425	1.0	**$ 915,780**
American Political Foundation	19596	$ 75,227	$ 32,948	30.5	**$ 108,175**
Asia Foundation	20255	$ 74,128	$ 22,994	23.7	**$ 97,122**
	20328	52,736	16,912	24.3	**69,648**
	20380	69,769	21,002	23.1	**90,771**
		$ 196,633	$ 60,908	23.6	**$ 257,541**
Council of International Programs	20106	$ 122,180	$137,027	52.9	**$ 259,207**
Institute of International Education	19993	$2,507,172	$199,390	7.4	**$2,706,562**
Partners of the Americas	20080	$ 167,740	$ 33,548	16.7	**$ 201,288**
	20102	81,598	16,319	16.7	**97,917**
	20281	21,750	4,350	16.7	**26,100**
	20290	88,224	11,999	12.0	**100,223**
		$ 359,312	$ 66,216		**$ 425,528**
National Committee on U.S.-China Relations	20397	$ 88,453	$ 28,984	24.7	**$ 117,437**
U.S. Youth Council	20182[c]	$ •	$ •	•	**$ •**
	20200[c]	•	•	•	•
	20215	116,865	23,245	16.6	**140,110**
	20354	269,236	38,511	12.5	**307,747**
		$ 386,101	$ 61,756		**$ 447,857**

[a]Based on an interim grantee report subject to a final report

[b]All costs were direct charges to the grant

[c]Financial report not submitted

Advance Comments From the United States Information Agency

United States Information Agency

Washington, D.C. 20547

Office of the Director

USIA

September 23, 1985

Dear Mr. Conahan:

Thank you for your letter of August 20 requesting the Agency's review and comments on GAO's Draft Report to Senator Jesse Helms on USIA's Monitoring of Selected Grantees.

The Agency's specific comments are directed towards the recommendations in the analysis portion of the letter report to Senator Helms and not to all the specifics cited in the Appendices. In response to your recommendations the following actions have been taken.

-- Financial and program reports have been received from the American Council of Young Political Leaders on both of the 1982 grants and the outstanding audit report has been resolved.

-- The U.S. Youth Council has submitted financial and program reports on two of the four grants and the Youth Council has been asked to locate the other two outstanding reports.

-- An audit of the U.S. Youth Council is in process now and should be completed by the end of September.

-- Follow-up on the outstanding audit reports on the National Committee on U.S.-China Relations and the National Association of the Partners of the Alliance has been started.

General comments regarding information in the review results are also provided.

Meeting grant purposes, terms, and conditions

The audit cited three specific cases where the grantee did not comply with all specific terms and conditions of the grants; our comments on these three follow:

Mr. Frank C. Conahan
Director
National Security and
International Affairs Division
United States General Accounting Office
Washington, D.C. 20548

1. Activities and trips not specifically authorized by grant:

a. U.S. Youth Council: The Agency is unable to comment on the auditor's statement that trips were taken which were not authorized in the Grant. Since we do not have the reports from the Grantee we do not know what trips were charged against the grant. The Council has not sent in the required reports on two of the four grants cited in this report. The Agency has made further attempts to obtain the delinquent reports, but because of the lapse in time and the turnover of personnel at the Council, they have not been able to locate any reports which may have been submitted.

b. Council of International Programs for Youth Leaders and Social Workers: The two activities questioned by the report were expenses for the maintenance payments for participants in the program. CIP had reported these expenses to the Agency as separate items in the financial report but later explained that they were maintenance payments and should have been included as maintenance under the total which was authorized in the grant. The Agency accepted the grantee's explanation and allowed the costs to be charged against the agreement.

2. Separate bank accounts:

Although the grants required the grantees (African American Institute and National Association of the Partners of the Americas, formerly Partners of the Alliance) to maintain funds in separate bank accounts, this procedure is contrary to OMB Circular A-110. In addition these grantees are now operating under the Letter of Credit requirements of the U.S. Treasury which eliminates the need for separate bank accounts. Grantees are required to keep documentation which will adequately substantiate all payments charged to the grant agreement.

3. Late, incomplete and incorrect reports:

Although grantees may have been negligent in complying with the grant reporting requirements, that did not necessarily mean that the grantee did not carry out the program effectively. The Office of Contracts has received some of the delinquent financial and program reports which were not available at the time GAO performed its audit. There have been verbal and written requests for these reports.

Monitoring of grantee performance

We do not believe the observation that "monitoring of .... these 10 organizations was consistently hampered by imprecisely defined purposes, poor record keeping, and untimely and incomplete grantee reporting..." is accurate. Most of the organizations were long-term, traditional grantees, Agency and grantee staff in most cases shared a common understanding of program purposes and modus operandi. The written record may be incomplete and hamper the occasional observer from determining the extent of personal monitoring constantly taking place.

We do not fully agree with the audit assumption that a grant should have a detailed and specific statement of work, such as might be found in a contract because, in most cases, a grant is an instrument which assists an organization in conducting its program. We do believe therefore, that the applicant's approved program proposal is a part of the grant. New grants will be written to make this inclusion even more specific.

The example cited in the report was the grant awarded to the American Council of Young Political Leaders (ACYPL) to program 19 international visitors. The report stated that there was no indication about the visitors' countries or the types of programs to be developed. This is incorrect. The ACYPL grant required individual visitor authorizations ("job orders") which included the name and country of the visitors and the various expenses that the grantee should pay for the visitor (such as per diem, educational and cultural expenses, etc). Prior to the arrival of the participants, the grantee is provided biographic data and other pertinent information concerning the special interest of the participant during the U.S. visit.

The other example cited in the report was a FY-81 Grant Agreement awarded to the National Association of the Partners of the Americas. This agreement originally provided FY-81 funds to support the Partners' efforts to develop and strengthen those aspects of their overall program which promoted the Agency's objectives. This grant was amended in FY-82 to add additional funds for pending projects of the Partnership for which they were seeking Agency assistance in carrying out programs which met the Agency's objectives. The original award and subsequent modifications were made on the basis of support for the programs which this grantee more fully described in its grant proposal. Also considered was the grantee's past performance record.

The Office of Contracts will be attending the Grant Review Panels in the near future. Attendance at these panel reviews will allow the Contracting Officer an opportunity to discuss relevant aspects of grantee's prior performance and compliance with grant terms with members of the panel. Noncompliance with the terms of the grant may provide the Panel sufficient reason to recommend additional conditions, or in exceptional cases, to recommend that the Agency refrain from further funding to organizations that repeatedly do not meet the requirements of the grant agreement.

Grantee reporting usually late:

The lateness of receiving reports from grantees has been a problem with some grantees, yet there are others that never have to be notified because they submit their reports on/or before the due date. This problem was identified more than a year ago and additional personnel and tracking systems were sought to correct it. Improvements in this area will now be possible, since the Office of Contracts has just obtained and filled a position for a Grant administrator who will be responsible for tracking all reports and coordinating the receipt of reports with the various program offices.

Different Offices in the Bureau have different reporting requirements because the nature of the grants are different. Grants funded by the Office of Private Sector Programs usually provided funds to assist organizations to expand their program which meet the objectives of the Mutual Educational and Cultural Exchange Act to promote mutual understanding. These types of grants did not require reports until the grant expired because the Agency was only assisting the Grantee in carrying out its program. Reporting requirements have been changed since 1982. Program reports are now required 60 days after each major activity is completed. A final program/financial report is required 90 days following completion of all the terms of the grant.

Grants awarded to organizations by the Office of International Visitors required more reports because these organizations were responding to an Agency initiative to carry out a specific program of the Agency. The complexity of the program required more reports.

The Office of Contracts is now working towards a better system of tracking reports and hopes to have the proper equipment to automate the system in the near future.

Audit Findings

The Agency's Office of the Inspector General began an audit of the U.S. Youth Council in August and will complete it in September. Retention of records has not been noted as a problem during this audit. Staffing shortages and higher priority assignments precluded performing the audit sooner.

Follow-up action has been taken on the two specific audits mentioned in the report on grants to the National Committee on United States-China Relations and Partners of the Americas. The entire grant program has grown by quantum leaps and adequate staffing has not kept pace. When more funds are appropriated for exchanges it takes about a year to obtain positions, recruit, clear and place additional staff. The award of new grants has had to take precedence over follow up on existing awards. We have not met the standard we would like, but we are making significant progress.

Allocation of Indirect Costs

USIA's auditors agree with the findings of GAO that there were no real problems with the grantees in the allocation of indirect costs.

Conclusion and Recommendations

The Agency was aware that there needed to be improvements in the Grant Program and steps have been taken to do just that, especially on the reporting requirements. The purpose of grants has been defined more specifically recently and additional improvements will be made starting in Fiscal Year 1986.

The Agency appreciates the opportunity to comment on the Draft Audit Report and acknowledges that the Grant Program needed improvement. Action has been started to correct many of the deficiencies cited in the report.

Sincerely,

Charles Z. Wick, by Marvin Stone, Deputy

Charles Z. Wick
Director

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